

CERTIFIED MAIL

No. 02925

RETURN RECEIPT REQUESTED

NDM 51630
SDR 922-90-05
3165 (922.L)

June 7, 1990

CERTIFIED—RETURN RECEIPT REQUESTED

DECISION

Mr. Craig Ambler)
Samuel Gary Jr. & Associates, Inc.)
1775 Sherman Street, Suite 1925)
Denver, Colorado 80203)

SDR No. 922-90-05

Affirmed

Samuel Gary Jr. & Associates, Inc. (Samuel Gary) requested a State Director Review (SDR) of a decision of the Dickinson District Office (DDO), North Dakota, dated May 10, 1990, terminating the suspension of production (SOP) on federal oil and gas lease No. NDM 51630 (Enclosure 1). The DDO terminated the SOP because all of the equipment was removed from the Bob Creek 13-8 and 13-11 wells.

The request for this SDR was dated May 22, 1990, and was timely received on May 24, 1990 (Enclosure 2).

Lease NDM 51630, is located in secs. 11, 13, 15, and 23, T. 147 N., R. 98 W., McKenzie County, North Dakota, and comprises 2,400 acres. The lease was issued effective November 1, 1975, to Getty Oil Company. Getty Oil Company assigned the lease to Texaco Production Inc. effective September 1, 1985. Texaco Production Inc. assigned the lease to Loren R. Kopseng effective February 1, 1989. Loren R. Kopseng assigned the lease to Bob Dennis effective February 1, 1989. Bob Dennis assigned the lease to Samuel Gary Jr. and Associates effective October 1, 1989. Samuel Gary is currently the lessee of record and also the current operator of the said lease.

On April 17, 1986, (Enclosure 3) the Department of the Interior established a policy which allowed stripper wells to be shut-in by granting an SOP for federal leases. It also stated that this will be done upon the receipt of an application containing a certification that failure to suspend production will lead to the premature abandonment of

the well and that there is at least one well on the lease capable of producing in paying quantities, subject to future verification. The suspension will remain in effect until such time as it appears that it would be economically feasible to resume producing operations, but in no case beyond May 31, 1987. The Secretary of the Interior extended this policy until May 31, 1988 (Enclosure 4), and followed with additional extensions for 1989, 1990, and 1991.

On May 6, 1989, the DDO approved an SOP on the subject lease which was being operated, at the time, by Bob Dennis. The SOP was approved based on the facts that due to the uneconomic conditions in the field, if an SOP was not granted the wells would have to be prematurely abandoned. The SOP would be terminated May 31, 1990, unless an extension on the stripper well policy was granted by the Secretary.

On May 10, 1990, the DDO notified Samuel Gary that the SOP which was granted May 6, 1989, was terminated effective May 1, 1990, because the rods, pumping unit, and common tank battery, for both wells, had been dismantled and removed.

Samuel Gary stated in the SUR that the SOP statutes were enacted in order to prevent premature abandonment of wells. The statement is not correct. The SOP policy is not a statute and was established by the Secretary of the Interior in April 1986, due to the decline of oil prices. This policy allows operators to temporarily shut-in wells capable of production on a federal oil and gas lease to prevent premature abandonment. This policy does not apply to Samuel Gary's situation because the wells are not capable of production.

Samuel Gary also stated the production capability of the Bob Creek #13-11 and Bob Creek #13-8 wells has previously been established. However, based on the SUR request, currently, there is no equipment on the lease which would allow the operator to put the wells on production.

Samuel Gary also stated that the wells are in the same condition today as they were at the time when the formal SOP was approved by the DDO on May 6, 1989. If these conditions were the same as they were on May 6, 1989, the DDO should not have approved the SOP.

Samuel Gary also stated that the decision from the DDO is arbitrary, because the DDO denied an SOP for a well that is capable of production. In April 1990, the DDO determined that the wells were not capable of production after reviewing the well files which indicated that the rods, pumping unit, and common tank battery, for both wells, had been dismantled and removed.

We, therefore, uphold the DDO's decision regarding termination of the SOP on the subject lease.

This Decision may be appealed to the Board of Land Appeals, Office of the Secretary, in accordance with the regulations contained in 43 CFR 4.400 and the enclosed Form 1842-1 (Enclosure 5). If an appeal is taken, a Notice of Appeal must be filed in this office at the above address within 30 days from receipt of this Decision. A copy of the Notice of Appeal and of any statement of reasons, written arguments, or briefs ~~must~~ also be served on the Office of the Solicitor at the address shown on Form 1842-1. It is also requested that a copy of any statement of reasons, written arguments, or briefs be sent to this office. The appellant has the burden of showing that the decision appealed from is in error.

Sincerely,

Donald L. Gilchrist
Acting Deputy State Director
Division of Mineral Resources

5 Enclosures

- 1-BDO Decision dated May 10, 1990 (2 pp)
- 2-SMR dated May 22, 1990 (6 pp)
- 3-Department Policy (2 pp)
- 4-Memorandum dated March 5, 1987 (1 p)
- 5-Form 1842-1 (1 p)

cc: (w/o encls.)
DM, Dickinson

bc: (w/o encls.)
WO(610), PRE Bldg., Rm. 601
DM, Lewistown
DM, Miles City
AM, Great Falls
MSO(922)

- AK SO
- AR SO
- CA SO
- CO SO
- ESD
- ID SO
- IV SO
- NH SO
- OR SO
- UT SO
- WY SO

922:PLaborda:pr1/jk:5/31/90:x862:6511d